

Jordan Valley Water Conservancy District

**Financial Statements and
Independent Auditors' Report**

June 30, 2005 and 2004

Jordan Valley Water Conservancy District

Contents

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Balance Sheets - Proprietary Fund	6
Statements of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	8
Statements of Cash Flows - Proprietary Fund	9
Notes to Financial Statements	11
Supplemental Schedules:	
Schedule of Revenue Bond Debt Service Payments	24
Schedule of Requirements of the Water Conservancy Revenue Bond Resolutions and U.S. Department of Commerce, Economic Development Administration (EDA)	29
Schedule of Insurance Policies in Force	31
Schedule of Changes in Funds Established by the Water Conservancy Revenue Bond Resolutions (Cash Basis)	32
Schedule of Net Revenues and Aggregate Debt Service	33
Report on Legal Compliance Applicable to Utah State Laws and Regulations	34
Schedule of Findings - Compliance - State of Utah	35
Single Audit Section:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	36
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	38
Schedule of Findings and Questioned Costs	40
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42



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INDEPENDENT AUDITORS' REPORT

Board of Trustees

Jordan Valley Water Conservancy District:

West Jordan, Utah

We have audited the accompanying basic financial statements of **Jordan Valley Water Conservancy District** (the District) as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The supplemental schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. These schedules are the responsibility of the District's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Haynie & Co.

Salt Lake City, Utah
September 30, 2005

Management's Discussion and Analysis (Unaudited)

The following is a discussion and analysis of Jordan Valley Water Conservancy District's financial performance providing an overview of the District's financial activities for the year ended June 30, 2005. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- ◆ The assets of the District exceeded its liabilities as of the close of the most recent year by \$105,559,798.
- ◆ The District's total net assets increased by \$7,225,227.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are proprietary funds.

Proprietary funds

The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District.

Financial statement analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$105,559,798 at the close of the most recent fiscal year.

Jordan Valley Water Conservancy District's Net Assets

	2005	2004	2003
Current and other assets	\$ 35,109,061	\$ 48,232,742	\$ 53,978,192
Capital assets	184,204,967	167,530,406	160,037,629
Total assets	<u>219,314,028</u>	<u>215,763,148</u>	<u>214,015,821</u>
Current and other liabilities	9,961,107	7,309,806	6,870,257
Long-term liabilities	103,793,123	110,118,771	113,937,061
Total liabilities	<u>113,754,230</u>	<u>117,428,577</u>	<u>120,807,318</u>
Fund Net Assets:			
Invested in capital assets, net of related debt	75,848,375	52,001,844	41,016,741
Restricted	4,803,665	24,493,824	31,022,449
Unrestricted	<u>24,907,758</u>	<u>21,838,903</u>	<u>21,169,313</u>
Total fund net assets	<u>\$105,559,798</u>	<u>\$ 98,334,571</u>	<u>\$ 93,208,503</u>

The largest portion of the District's net assets (71.85%) reflects its investment in capital assets (e.g. land, buildings, water systems, equipment, and water rights), less any related debt used to acquire those assets that is still outstanding.

An additional portion of the District's net assets (4.55%) represents resources that are subject to external restrictions on how they may be used. The restricted balance is for capital projects and debt service reserve accounts.

The remaining balance of *unrestricted net assets* (23.60%) may be used to meet the District's obligations to customers, member agencies, employees, and creditors.

At the end of the fiscal year, the District is able to report positive balances in all three categories of net assets.

Jordan Valley Water Conservancy District's Changes in Net Assets

	2005	2004	2003
Revenues:			
Operating revenues - charges for services	\$ 23,539,333	\$ 25,126,680	\$ 23,479,226
Operating contributions	2,901,967	30,000	38,172
Other revenues:			
Property taxes	8,445,006	8,179,174	7,828,949
Interest income on investments	1,133,168	929,110	1,144,720
Net increase (decrease) in the fair value of investments	(68,217)	22,846	17,177
Intergovernmental revenue	622,929	202,500	200,000
Other non-operating revenue	446,579	470,879	527,380
Gain on sale of assets	175,219	20,095	129,920
Total revenues	<u>37,195,984</u>	<u>34,981,284</u>	<u>33,365,544</u>
Expenses:			
Operating expenses - general government	25,713,008	25,433,860	24,799,873
Interest on long-term debt	<u>4,257,749</u>	<u>4,421,356</u>	<u>4,583,010</u>
Total expenses	<u>29,970,757</u>	<u>29,855,216</u>	<u>29,382,883</u>
Transfers of assets and related contributed capital	-	-	(2,360,078)
Change in net assets	7,225,227	5,126,068	1,622,583
Net assets - beginning of year	<u>98,334,571</u>	<u>93,208,503</u>	<u>91,585,920</u>
Net assets - end of year	<u>\$105,559,798</u>	<u>\$ 98,334,571</u>	<u>\$ 93,208,503</u>

The District's net assets increased by \$7,225,227. Key elements of this increase are as follows:

- ◆ Operating revenues decreased by \$1,587,347 due to the decrease in water delivered.
- ◆ Property taxes increased by \$265,832 due to an increase in assessing and collecting of property taxes.
- ◆ Increases in expenses closely paralleled inflation and growth in the demand for services.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets for its governmental activities, as of June 30, 2005, amounts to \$184,204,967 (net of accumulated depreciation). This investment in capital assets includes the water system, administrative buildings and equipment, aqueduct rights and privileges, and water rights stock.

Major capital asset events during the current fiscal year included the following:

- ◆ Investments in water systems land of \$4,354,657
- ◆ Investments in surface water resources of \$4,744,423
- ◆ Increase in wells and equipment of \$2,993,800
- ◆ Increase in telemetering of \$3,935,992

Jordan Valley Water Conservancy District's Capital Assets (net of depreciation)

	2005	2004	2003
Utility plant in service, net	\$115,314,675	\$103,868,450	\$ 95,950,048
Construction in progress	1,228,572	441,004	2,243,087
Aqueduct rights and privileges, net	27,754,753	28,058,408	28,471,305
Investments in surface water resources	39,906,967	35,162,544	33,373,189
Total	<u>\$184,204,967</u>	<u>\$167,530,406</u>	<u>\$160,037,629</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, the District had total debt outstanding of \$107,718,792. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), and notes payable.

Jordan Valley Water Conservancy District's Outstanding Debt

	2005	2004	2003
Revenue bonds	\$107,718,792	\$112,572,835	\$115,905,441
Notes payable	-	30,933	388,251
Total	<u>\$107,718,792</u>	<u>\$112,603,768</u>	<u>\$116,293,692</u>

The District receives its revenue bonds through the Utah Water Finance Agency. The Utah Water Finance Agency is a cooperative formed with other state water districts and cities that come together to obtain bonds in an effort to achieve better economies of scale on issuance and other related costs. The District's revenue bonds are rated Aaa by Moody's and are insured.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Jordan Valley Water Conservancy District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the office of the District in care of the Controller at P.O. Box 70, 8215 South 1300 West, West Jordan, Utah 84088-0070.

Jordan Valley Water Conservancy District

Balance Sheets - Proprietary Fund

June 30	2005	2004
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	20,918,811	\$ 13,458,039
Investments (Note 2)	40,800	2,567,690
Accounts receivable:		
Salt Lake County Treasurer - property tax collections	172,819	151,898
Water - wholesale billings (Note 9)	2,491,666	3,947,926
Water - retail billings	741,604	837,829
Other	1,779,473	1,188,760
Inventories	155,034	190,574
Total current assets	26,300,207	22,342,716
Noncurrent assets:		
Restricted assets (Notes 2 and 4):		
Cash and cash equivalents	281,327	274,875
Investments	4,522,338	24,218,949
Total restricted assets	4,803,665	24,493,824
Capital assets (Note 3):		
Utility plant in service, net	115,314,675	103,868,450
Construction in progress	1,228,572	441,004
Aqueduct rights and privileges, net	27,754,753	28,058,408
Investments in surface water resources	39,906,967	35,162,544
Total capital assets	184,204,967	167,530,406
Long-term investments (Note 2)	2,683,500	224,300
Bond issuance costs, net	1,321,689	1,171,902
Total noncurrent assets	193,013,821	193,420,432
Total assets	\$ 219,314,028	\$ 215,763,148

See accompanying notes to financial statements

Jordan Valley Water Conservancy District
Balance Sheets - Proprietary Fund (continued)

June 30	2005	2004
Liabilities		
Current liabilities:		
Current portion of long-term debt (Note 4)	\$ 5,885,159	\$ 3,584,976
Accounts payable	1,980,105	1,746,990
Accrued interest payable	869,949	898,371
Accrued wages and payroll taxes	473,020	431,515
Accrued compensated absences	563,417	508,844
Accrued and other liabilities	189,457	139,110
Total current liabilities	9,961,107	7,309,806
Long-term debt, net of current portion (Note 4)	101,833,633	109,018,792
Unamortized bond premium, net of discounts	1,083,851	10,261
Deferred gain on interest rate swap (Note 4)	875,639	1,089,718
Total long-term liabilities	103,793,123	110,118,771
Total liabilities	113,754,230	117,428,577
Fund net assets:		
Invested in capital assets, net of related debt	75,848,375	52,001,844
Restricted (Note 4):		
Renewal and replacement	281,327	274,875
Future capital projects	-	18,641,907
Future debt service	4,522,338	5,577,042
Unrestricted (Note 5)	24,907,758	21,838,903
Total fund net assets	105,559,798	98,334,571
Total liabilities and fund net assets	\$ 219,314,028	\$ 215,763,148

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Statements of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund

For the years ended June 30	2005	2004
Revenues:		
Metered sales of water:		
Wholesale	\$ 19,559,722	\$ 21,096,869
Retail	3,605,181	3,490,878
Other	374,430	538,933
Total revenues	23,539,333	25,126,680
Operating expenses:		
Direct expenses:		
Water purchased	7,933,313	7,905,952
Operating and maintenance	6,389,551	6,325,062
General and administrative	7,117,728	7,201,877
Depreciation and amortization	4,272,416	4,000,969
Total operating expenses	25,713,008	25,433,860
Operating loss	(2,173,675)	(307,180)
Other revenues (expenses):		
General property taxes	8,445,006	8,179,174
Interest income on investments	1,133,168	929,110
Net (decrease) increase in the fair value of investments	(68,217)	22,846
Other non-operating revenue	446,579	470,879
Gain on sale of fixed assets	175,219	20,095
Intergovernmental revenue	622,929	202,500
Interest expense	(4,257,749)	(4,421,356)
Total other revenues	6,496,935	5,403,248
Income before contributions and transfers	4,323,260	5,096,068
Contributions in aid of construction for water systems	2,901,967	30,000
Changes in net assets	7,225,227	5,126,068
Net assets, beginning of year	98,334,571	93,208,503
Net assets, end of year	\$ 105,559,798	\$ 98,334,571

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Statements of Cash Flows - Proprietary Fund

For the years ended June 30	2005	2004
Cash flows from operating activities:		
Receipts from customers and users	\$ 24,717,388	\$ 23,707,063
Other operating cash (payments) receipts	(201,664)	1,470,146
Payments to suppliers of goods and services	(14,039,402)	(13,827,176)
Payments to employees and other operating cash payments	(7,050,072)	(7,060,712)
Net cash provided by operating activities	3,426,250	4,289,321
Cash flows from non-capital financing activities:		
Property tax revenue	8,445,006	8,179,174
Intergovernmental grants received	622,929	202,500
Other non-operating revenue	446,579	470,879
Net cash provided by non-capital financing activities	9,514,514	8,852,553
Cash flows from capital and related financing activities:		
Bond issuance costs	(261,549)	-
Premiums/discounts on bonds	1,146,804	-
Proceeds from new bonds issued	27,080,000	-
Principal paid on revenue bonds and other contracts	(31,964,976)	(3,689,924)
Acquisition and construction of capital assets	(20,987,739)	(11,410,037)
Proceeds from sale of capital assets	254,529	56,888
Contributions in aid of construction	2,901,967	30,000
Interest paid on revenue bonds and other contracts	(4,471,828)	(4,665,437)
Net cash used by capital and related financing activities	(26,302,792)	(19,678,510)
Cash flows from investing activities:		
Interest income on investments	1,133,168	929,110
Proceeds from maturity of long-term investments	2,499,473	37,900
Purchase of long-term investments	(2,500,000)	-
Restricted investments decrease	19,696,611	6,532,145
Net cash provided by investing activities	20,829,252	7,499,155
Net increase in cash and equivalents	7,467,224	962,519
Cash and equivalents, beginning of year	13,732,914	12,770,395
Cash and equivalents, end of year	\$ 21,200,138	\$ 13,732,914

See accompanying notes to financial statements

Jordan Valley Water Conservancy District
Statements of Cash Flows - Proprietary Fund (continued)

For the years ended June 30	2005	2004
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,173,675)	\$ (307,180)
Depreciation and amortization	4,272,416	4,000,969
Decrease in accounts receivable	940,851	73,673
Decrease (increase) in inventories	35,540	(23,144)
Increase in accounts payable	233,115	395,569
Increase in accrued and other liabilities	118,003	149,434
Net cash provided by operating activities	\$ 3,426,250	\$ 4,289,321
Cash and cash equivalents summary:		
Cash and cash equivalents	\$ 20,918,811	\$ 13,458,039
Restricted cash and cash equivalents	281,327	274,875
Total cash and cash equivalents	\$ 21,200,138	\$ 13,732,914
Noncash investing, capital, and financing activities:		
Increase in long-term debt from interest added to capital appreciation bonds	\$ 1,841,116	\$ 1,962,553
Deferred gain on interest rate swap	\$ (214,079)	\$ (244,081)
Net unrealized loss (gain) on investments	\$ 68,217	\$ (22,846)

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Notes to financial statements

Note 1 - Significant accounting policies

The Jordan Valley Water Conservancy District, a Utah political subdivision, (the District) was organized on September 14, 1951 under the Utah Water Conservancy Act. The District encompasses an area of approximately 175 square miles in the western and southern regions of the Salt Lake Valley and the northern tip of Utah County in the State of Utah. The District changed its name in 1999 from Salt Lake County Water Conservancy District. The District is not a component unit of any other governmental entity, and it has no component units.

The District is primarily a wholesaler of water to other agencies but also has a retail service area and provides irrigation water to the agricultural community. The main role of the District is to develop and purchase water where it is available, and treat and transport it to where it is needed, in order to ensure that an adequate water supply is available for its service area. The District has contracted with various cities and water improvement districts to supply water to them. Water is billed on the basis of the District's cost to provide such service.

The District is divided into seven divisions and is governed by a board of eight trustees from the divisions, one from each of six divisions and two from the seventh division, who are appointed by the Governor of the State of Utah, subject to confirmation by the Utah State Senate.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

Presentation - The District has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements resulting from the adoption of these statements are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net asset presentation.

The District reports its water production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting - The District is an enterprise fund and its records are maintained on the accrual basis of accounting. The District elected to follow all Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement, in accordance with GASB Statement No. 20.

Management estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Inventories - Inventories are stated at the lower of cost (on the first-in, first-out basis) or market.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 1 - Significant accounting policies (continued)

Investments - Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that investments be reported at fair value in the balance sheet, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less. Such investments may be reported at amortized costs. All investment income, including changes in the fair value of investments, is to be recognized in the operating statement. The net (decrease) increase in the fair value of investments for the years ended June 30, 2005 and 2004 was (\$68,217) and \$22,846, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the years.

Capital assets - Utility plant in service is stated at cost, except for donated capital assets, which are reported at their estimated fair value at the date of donation. Costs incurred for repairs and maintenance that do not extend the useful life of an asset are recorded as an expense in the statement of revenues, expenses, and changes in net assets. Additions, improvements, and betterments that provide future benefit and exceed the District's capitalization threshold of \$1,000 are recorded as capital assets in the balance sheet. Depreciation has been provided using the straight-line method over estimated useful lives as follows:

	Years
Wells and equipment	40
Reservoirs	60
Water lines and equipment	5-60
Telemetry	20
Treatment plant	40
Office buildings	40
Office furniture and equipment	5-10
Trucks and other equipment	4-10
Conservation program costs	5

No depreciation is provided on construction in progress until the asset is placed in service.

Aqueduct rights and privileges are stated at cost. Amortization has been provided using the straight-line method over their estimated useful lives.

Investments in surface water resources represent investments in water stock and are stated at cost.

Bond issuance costs - Costs incurred in the issuance of bonds are deferred and amortized over the term of the related bonds using a method approximating the effective interest method.

Contributions in aid of construction - Contributions in aid of construction include the cost or appraised value of water lines installed by subdividers which become part of the water system at no cost to the District.

Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All general liability, real property, and vehicles are insured through commercial policies. The District has established a self-insurance reserve to fund deductibles on the commercial policies. There have been no insurance claims or settlements made for the years ended June 30, 2005 and 2004.

Compensated absences - The District accrues unpaid annual leave, up to 320 hours, when earned by the employee. The District also accrues unpaid compensatory leave and sick leave, which can be converted to cash or annual leave at the end of the year, when earned by the employee. All accrued leave at June 30, 2005 and 2004 was recorded as a current liability.

Long-term obligations - In the proprietary fund financial statements, long-term debt is reported as a liability in the applicable proprietary fund type statement of net assets.

Restricted assets - Restricted assets are comprised of cash and investments restricted for future payments of principal and interest on debt service as well as bonds issued for capital construction purposes.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 1 - Significant accounting policies (continued)

Property taxes - The property taxes of the District are levied, collected, and distributed by Salt Lake County as required by Utah State law. Utah statutes established the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 8 and August 22 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30.

Operating and non-operating revenues - The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for services provided by the District. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interest rate swap - The District may enter into interest rate swap agreements to modify interest rates on outstanding debt. Any gains or losses resulting from terminated interest rate swap agreements are deferred over the life of the related debt. The net interest expenditures resulting from these agreements and the deferred gain resulting from the termination of the interest rate swap are recorded as interest expense in the financial statements.

Note 2 - Cash, cash equivalents, and investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a qualified depository. The Act defines qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Cash and cash equivalents consisted of the following:

June 30	2005	2004
Unrestricted:		
Cash on deposit - demand and money market	\$ 3,673,733	\$ 1,031,601
Utah Public Treasurer's Investment Fund	14,199,615	10,060,830
Repurchase agreements	3,045,463	2,365,608
Total unrestricted cash and cash equivalents	20,918,811	13,458,039
Restricted:		
Utah Public Treasurer's Investment Fund	281,327	274,875
Total restricted cash and cash equivalents	281,327	274,875
Total cash and cash equivalents	\$ 21,200,138	\$ 13,732,914

The District has committed by board designation, cash and cash equivalents totaling \$14,519,722 and \$10,054,806 as of June 30, 2005 and 2004, respectively. The District maintains these committed funds in the Operating and Maintenance, Revenue, Capital Projects, Self Insurance, Development Fee, General Equipment, Conservation, and Customer Deposit Funds.

Certain of the District's assets are restricted by provisions of the revenue refunding bond and revenue bond resolutions (see Note 4). The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of, or guaranteed by, the United States Government.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 2 - Cash, cash equivalents, and investments (continued)

The District's bank deposits consisted of the following:

June 30	2005	2004
Carrying amount	\$ 6,718,797	\$ 3,396,809
Bank balance:		
Covered by federal depository insurance	200,000	200,000
Uninsured and uncollateralized	7,144,373	3,288,123
Total	\$ 7,344,373	\$ 3,488,123

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; bankers' acceptances; obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund. All investments held by the District at June 30, 2005 comply with the provisions of the Act.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses - net of administration fees of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The District had the following investments and maturities:

June 30	2005				
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Unrestricted:					
Investment contracts backed by U.S. Govt. Securities	\$ 224,300	\$ 40,800	\$ 177,100	\$ -	\$ 6,400
Investment - FNMA	2,500,000		2,500,000		
Total unrestricted	2,724,300	40,800	2,677,100	-	6,400
Restricted:					
Investment - Utah PTIF	192	192			
Investments - FNMA (bond principal and interest funds)	4,522,146	4,522,146			
Total restricted	4,522,338	4,522,338	-	-	-
Total investments	\$ 7,246,638	\$ 4,563,138	\$ 2,677,100	\$ -	\$ 6,400

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 2 - Cash, cash equivalents, and investments (continued)

June 30		2004			
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Unrestricted:					
Investment contracts backed by U.S. Govt. Securities	\$ 263,700	\$ 39,400	\$ 172,700	\$ 45,200	\$ 6,400
Investment - GMAC Corporate bonds	2,528,290	2,528,290			
Total unrestricted	2,791,990	2,567,690	172,700	45,200	6,400
Restricted:					
Investments - FNMA (bond principal and interest funds)	4,888,171	4,888,171			
Investments - Utah PTIF (bond project funds)	19,330,778	19,330,778			
Total restricted	24,218,949	24,218,949			
Total investments	\$ 27,010,939	\$ 26,786,639	\$ 172,700	\$ 45,200	\$ 6,400

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

The District had the following investments and quality ratings:

June 30		2005			
Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Investment contracts backed by U.S. Government Securities	\$ 224,300				\$ 224,300
Investment - Utah PTIF	192				192
Investment - FNMA	7,022,146	7,022,146			
Total investments	\$ 7,246,638	\$ 7,022,146	\$ -	\$ -	\$ 224,492

June 30		2004			
Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Investment contracts backed by U.S. Government Securities	\$ 263,700				\$ 263,700
Investment - GMAC Corporate bonds	2,528,290		2,528,290		
Investments - FNMA (bond principal and interest funds)	4,888,171	4,888,171			
Investments - Utah PTIF (bond project funds)	19,330,778				19,330,778
Total investments	\$ 27,010,939	\$ 4,888,171	\$ 2,528,290	\$ -	\$ 19,594,478

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 3 - Capital assets

Capital asset activity for the year ended June 30, 2005 is the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Water systems land	\$ 16,723,778	\$ 4,354,657	\$ 79,310	\$ 20,999,125
Office land	700,958	-	-	700,958
Construction in progress	441,004	1,228,572	441,004	1,228,572
Investments in surface water resources	35,162,544	4,744,423	-	39,906,967
Total capital assets, not being depreciated	53,028,284	10,327,652	520,314	62,835,622
Capital assets, being depreciated:				
Wells and equipment	18,111,671	2,993,800	13,404	21,092,067
Reservoirs	7,900,563	384,970	-	8,285,533
Water lines and equipment	49,108,382	792,895	108,928	49,792,349
Telemetry	2,182,678	3,935,992	229,691	5,888,979
Source of supply	11,691,017	647,614	655,960	11,682,671
Treatment plant	21,604,000	659,093	4,979	22,258,114
Office buildings	8,124,038	-	-	8,124,038
Office furniture and equipment	2,096,229	162,758	430,923	1,828,064
Vehicles and other equipment	2,989,854	236,573	147,622	3,078,805
Jordan aqueduct system	36,664,783	256,652	-	36,921,435
Capitalized interest	1,828,992	1,030,743	114,389	2,745,346
Total capital assets, being depreciated	162,302,207	11,101,090	1,705,896	171,697,401
Less accumulated depreciation	47,800,085	4,119,479	1,591,508	50,328,056
Net capital assets	\$ 167,530,406	\$ 17,309,263	\$ 634,702	\$ 184,204,967

Capital asset activity for the year ended June 30, 2004 is the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Water systems land	\$ 16,018,803	\$ 741,768	\$ 36,793	\$ 16,723,778
Office land	700,958	-	-	700,958
Construction in progress	2,243,087	441,004	2,243,087	441,004
Investments in surface water resources	33,373,189	1,789,355	-	35,162,544
Total capital assets, not being depreciated	52,336,037	2,972,127	2,279,880	53,028,284
Capital assets, being depreciated:				
Wells and equipment	17,732,071	379,600	-	18,111,671
Reservoirs	6,082,770	1,817,793	-	7,900,563
Water lines and equipment	47,071,206	2,037,176	-	49,108,382
Telemetry	1,617,804	600,443	35,569	2,182,678
Source of supply	10,621,430	1,069,587	-	11,691,017
Treatment plant	18,429,019	3,174,981	-	21,604,000
Office buildings	8,102,013	22,025	-	8,124,038
Office furniture and equipment	2,055,673	120,621	80,065	2,096,229
Vehicles and other equipment	3,075,214	250,455	335,815	2,989,854
Jordan aqueduct system	36,517,131	147,652	-	36,664,783
Capitalized interest	768,330	1,060,662	-	1,828,992
Total capital assets, being depreciated	152,072,661	10,680,995	451,449	162,302,207
Less accumulated depreciation	44,371,069	3,880,465	451,449	47,800,085
Net capital assets	\$ 160,037,629	\$ 9,772,657	\$ 2,279,880	\$ 167,530,406

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 3 - Capital assets (continued) **Aqueduct rights and privileges** - The District has acquired a contractual right to approximately 71% of the carrying capacity of the Jordan Aqueduct of the Bonneville Unit of the Central Utah Project (the Aqueduct) from the United States Department of Interior, Bureau of Reclamation (the Bureau) which constructed the aqueduct and retains indefinite title thereto. Rights and privileges of this carrying capacity have been capitalized at the amounts originally payable to the Bureau for construction of the Aqueduct. Accumulated amortization was \$9,166,682 and \$8,606,375 at June 30, 2005 and 2004, respectively.

Note 4 - Long-term debt Long-term debt consisted of the following:

June 30	2005	2004
Series 1992 revenue refunding bonds payable, dated March 1, 1992; interest at 6.00% to 7.00%, capital appreciation bonds issued without coupons, with interest added to the outstanding balance semi-annually, maturing in annual installments through 2015	\$ 27,165,609	\$ 29,124,493
Series 1993 revenue refunding bonds payable, dated October 1, 1993; interest payable semi-annually at 4.20% to 5.35%, maturing in annual installments through 2018, refunded in 2005		16,215,000
Series 1998 revenue bonds payable, dated May 15, 1998; interest payable semi-annually at 4.00% to 5.30%, maturing in annual installments through 2023, advance refunded in 2005		13,245,000
Series 2000 revenue bonds payable, dated April 15, 2000; interest payable semi-annually at 4.50% to 5.38%, maturing in annual installments through 2025	5,075,000	5,580,000
Series 2001 revenue refunding bonds payable, dated March 15, 2001; interest payable semi-annually at 3.20% to 5.25%, maturing in annual installments through 2026	15,198,183	15,208,342
Series 2002 A-5 revenue bonds payable, dated September 12, 2002; interest payable monthly at a variable weekly rate (2.32% at June 30, 2005), maturing in annual installments through 2027	14,900,000	14,900,000
Series 2002C revenue bonds payable, dated October 31, 2002; interest payable semi-annually at 3.00% to 5.25%, maturing in annual installments through 2028	18,300,000	18,300,000
Series 2005A revenue refunding bonds payable, dated March 2, 2005; interest payable semi-annually at 3.25% to 5.00%, maturing in annual installments through 2024	27,080,000	
Contract payable to the Utah State Board of Water Resources, payable in annual installments of \$95,000 including interest at 5.0% beginning March 1, 1996 until paid in full	-	30,933
Total debt	107,718,792	112,603,768
Less current portion	5,885,159	3,584,976
Long-term portion	\$ 101,833,633	\$ 109,018,792

Future maturities of long-term debt are as follows:

Fiscal year ending June 30

2006	\$ 5,885,159
2007	6,060,159
2008	6,140,159
2009	6,270,159
2010	6,335,159
2011-2015	22,806,404
2016-2020	23,070,795
2021-2025	21,620,798
2026-2030	9,530,000
Total	\$ 107,718,792

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 4 - Long-term debt (continued) Long-term debt transactions for the year ended June 30, 2005 are as follows:

	Beginning Balance	Proceeds	Payments	Ending Balance	Due Within One Year
Revenue bonds	\$ 113,409,493	\$ 27,080,000	\$ 31,973,884	\$ 108,515,609	\$ 5,925,000
Contract payable	30,933	-	30,933	-	-
Total long-term debt	113,440,426	27,080,000	32,004,817	108,515,609	5,925,000
Less: deferred interest	836,658	-	39,841	796,817	39,841
Net	\$ 112,603,768	\$ 27,080,000	\$ 31,964,976	\$ 107,718,792	\$ 5,885,159

Long-term debt transactions for the year ended June 30, 2004 are as follows:

	Beginning Balance	Proceeds	Payments	Ending Balance	Due Within One Year
Revenue bonds	\$ 116,781,940	\$ -	\$ 3,372,447	\$ 113,409,493	\$ 3,593,884
Notes payable	266,802	-	266,802	-	-
Contract payable	121,449	-	90,516	30,933	30,933
Total long-term debt	117,170,191	-	3,729,765	113,440,426	3,624,817
Less: deferred interest	876,499	-	39,841	836,658	39,841
Net	\$ 116,293,692	\$ -	\$ 3,689,924	\$ 112,603,768	\$ 3,584,976

Interest rate swap agreement - In January 2000, the District entered into an interest rate swap agreement for its fixed rate 1992 Series Revenue Refunding Bonds. Under the terms of the interest rate swap, the District swapped its fixed interest rate for a variable rate. In March 2001, the interest rate swap was terminated resulting in a net gain of \$1,980,000. Gains and losses realized upon settlement of these bonds are deferred and amortized to interest expense over the period relevant to the underlying bond. Amortization of the deferred gain on the termination of the interest rate swap agreement reduced interest expense, for the years ended June 30, 2005 and 2004, by \$214,079 and \$244,081, respectively.

Defeasance of debt - On March 2, 2005, the District issued \$27,080,000 of revenue refunding bonds with an interest rate ranging from 3.25% - 5.00%; to refund \$15,545,000 of the outstanding series 1993 bonds with an average interest rate of 4.732%, and to advance refund \$12,835,000 of the outstanding series 1998 bonds with an average interest rate of 4.664%. The net proceeds for the series 1998 bonds' advance refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the series 1998 bonds. As a result, the series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The difference between the reacquisition price and the net carrying amount of the old debt is reported in the accompanying financial statements as a deduction from bonds payable, and will be charged to operations through the year 2024 using the effective interest method. The District completed the refunding and advance refunding to reduce its total interest payments over the next 19 years by \$3,389,101 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,405,404.

Prior-year defeasance of debt - In prior years, the District defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2005, \$30,003,525 of bonds outstanding are not included in the District's financial statements and are considered defeased.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 4 - Long-term debt (continued)

The following are selected provisions of the revenue refunding and revenue bond resolutions:

Pledge of the Bond Resolutions - The Bond Resolutions provide that the Bonds shall be special obligations of the District payable solely from and secured by: i) the proceeds of sale of the Bonds; ii) all revenues, connection fees, income, rents, and receipts attributable to the water supply and distribution system (the System), except taxes levied to provide for operation and maintenance costs, and income from investments of any monies held pursuant to the Resolutions, except monies held in the Construction Fund; and iii) all funds, other than the Operation and Maintenance Fund, established by the Resolutions. The Resolutions do not require the District to pledge any property constituting part of the System.

Payments of the principal and interest on all outstanding revenue bonds are insured by municipal bond insurance policies issued by AMBAC Indemnity Corporation.

Funds required by the Bond Resolutions - The Resolutions require that certain "funds" be established to account for the District's receipts and disbursements. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts. The amounts held in these funds are to be used for the purposes stipulated in the Resolutions as described below. Funds held by the trustee have been restricted and corresponding amounts of retained earnings have been reserved.

Revenue Fund (held by the District) - This fund initially receives revenues, excluding property taxes, and disburses them to the Principal and Interest Fund and then to the Renewal and Replacement Fund. Any remaining revenues may be applied at the determination of the District to: (1) the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any Bonds; (2) payments of principal or redemption price of an interest on any Bonds, including general obligation or junior lien revenue bonds of the District, issued to acquire improvements or extensions to the System; (3) payments into the bond project funds; (4) payment of the cost of capital improvements to the System and (5) any other lawful purpose of the issuer. The District is required to have, on deposit, 25 percent of total annual debt service at all times (\$1,956,490 at June 30, 2005). At June 30, 2005, the balance of cash and investments in the fund was \$6,438,382.

Operation and Maintenance Fund (held by the District) - This fund pays all costs of operations and maintenance as appropriated in the annual budget. The District is required to have, on deposit, sufficient funds to efficiently operate and maintain its system for three calendar months (\$2,800,000 at June 30, 2005). Property tax revenues are received directly into this fund. At June 30, 2005, the balance of cash and investments in the fund was \$7,441,097.

Renewal and Replacement Funds (held by the District) - These funds pay for extraordinary operation and maintenance costs, contingencies, and any other costs of additional facilities not covered by the proceeds of insurance or other recoverable monies. In the event a deficiency arises in the Principal and Interest Fund, monies in the Renewal and Replacement Funds shall be transferred to this fund to satisfy the deficiency. Any remaining funds not used to satisfy the deficiency, or not needed for any purpose for which this fund was established, shall be deposited into the Revenue Fund. At June 30, 2005, the balances of cash and investments in these funds were \$123,393 and \$89,655 held in bond renewal and replacement accounts.

Principal and Interest Funds (held by the Trustee) - These funds hold any debt service reserve amounts and pay all interest and principal related to the Bonds. The debt service reserve requirement is equal to the average annual debt service on the bonds at the time of issuance. At June, 30 2005, the fair value balance of cash and investments in these funds consisted of \$2,353,642 in the 1992 debt service reserve fund, \$192 in the 2000 bond fund, and \$2,168,504 in the 2005A debt service reserve fund.

Bond Project Funds (held by the Trustee) - These funds hold and disburse bond proceeds for the acquisition costs of construction projects. At June 30, 2005, there was no balance in these funds.

Restricted assets - Restricted assets represent cash and investments and related accrued interest receivable restricted for purposes of the Renewal and Replacement Fund, Jordan Valley Water Treatment Plant Maintenance Fund, Jordan Aqueduct Maintenance Fund, Bond Projects Fund, Bond cash accounts, and Principal and Interest Funds (see Note 2).

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 4 - Long-term debt (continued) **Restricted net assets** - Net assets for certain restricted assets have been reserved as follows:

June 30	2005	2004
Renewal and Replacement Fund	\$ 123,393	\$ 120,563
Jordan Valley Water Treatment Plant Maintenance Fund	68,279	66,713
Jordan Aqueduct Maintenance Fund	89,655	87,599
Bond Projects Fund	-	18,641,907
Bond cash accounts	192	688,871
Principal and Interest Funds:		
1992 Reserve	2,353,642	2,373,338
1993 Reserve	-	1,461,792
1998 Reserve	-	1,053,041
2005A Reserve	2,168,504	-
Total	\$ 4,803,665	\$ 24,493,824

Note 5 - Unrestricted net assets

The following "funds" have been established by board designation and the amounts held in these funds committed for the purposes stipulated. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts.

Bond Covenant - Minimum Balances - As explained in the previous note, the District's bond resolutions require that a minimum balance be maintained in the Revenue Fund and Operation and Maintenance Fund.

Development Fee Fund - This fund was established to receive retail connection fees that will be used to fund expansion or improvements to the retail system. The balance in this fund is determined by connection and development fees collected, less any expenditures.

Capital Projects Fund - Capital projects, authorized by the Board, are paid from this fund. Bond proceeds are transferred into the fund as projects are completed. Additional funding, as designated by the Board, may be made from other District funds.

Emergency Reserve / Self Insurance Fund - This fund was established to reserve assets to pay for all self-insured claims and supplemental insurance premiums. In addition, this fund will be used to begin repairs in the case of catastrophic events.

Conservation Fund - Programs related to the District's water conservation plan and other conservation activities are paid from this fund. District funding and contributions from partner agencies for District-sponsored conservation programs are deposited in the fund.

General Equipment Fund - This fund facilitates the budgeting and funding of vehicles and other depreciable equipment. Expenditures from the fund are authorized by the Board during the budgeting process.

Meter Deposit Fund - This fund was established to receive deposits on new retail water accounts, specifically from rental and commercial customers. When an account is terminated, a refund of the deposit amount will be made to the customer if there is no outstanding balance owing on the account. This fund is held in a separate, non interest bearing, account.

Uncommitted Net Assets - The uncommitted portion of the unrestricted net assets totaled \$10,388,036 and \$11,784,097 as of June 30, 2005 and 2004, respectively. The uncommitted net assets consisted of cash and cash equivalents from the Operation and Maintenance, and Revenue Funds that were in excess of the minimum balances from bond covenants, as well as other current assets and current liabilities. Uncommitted net assets may fluctuate from year to year based upon the balances in those accounts. Following approval of the audited financial statements, an amount approximating net income will be committed by board designation and transferred to various funds.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 5 - Unrestricted net assets are broken out as follows:
Unrestricted net assets (continued) June 30

	2005	2004
Committed:		
Bond covenant - minimum balances	\$ 4,756,490	\$ 4,756,490
Development fee fund	2,521,103	2,371,994
Capital projects fund	3,989,722	-
Emergency reserve / self insurance fund	2,141,854	2,048,281
Conservation fund	941,782	715,820
General equipment fund	145,291	139,753
Meter deposit fund	23,480	22,468
Uncommitted	10,388,036	11,784,097
Total unrestricted net assets	\$ 24,907,758	\$ 21,838,903

Note 6 - Retirement plans

Plan description - The District contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Governmental Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing, multiple-employer, defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Systems and plans. Chapter 49 places the Systems, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding policy - Plan members of the Contributory System are required to contribute 6% of their covered salary (all or part may be paid by the employer) to the plan. The District was required to contribute 7.08% and 11.09% of covered salary to the Contributory and Noncontributory Systems, respectively. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the various Systems for the years ended June 30, 2005, 2004, and 2003, respectively, for the Contributory System were \$30,872, \$27,995, and \$26,525, and for the Noncontributory System the contributions were \$561,560, \$463,398, and \$425,598, respectively. The contributions were equal to the required contributions for each year.

Defined contribution money purchase pension plan - The District has a defined contribution retirement plan, in lieu of participation in the Social Security system, which is funded by contributions from the District and its employees. All permanent and full-time employees participate in the plan. The District contributed 15.3% of employees' salaries and wages during the years ended June 30, 2005 and 2004. The plan is administered for the District by Prudential Retirement. The District's contribution to this plan was \$799,287 and \$837,483 for the years ended June 30, 2005 and 2004, respectively.

Note 7 - Deferred compensation plans

The District offers its employees deferred compensation plans created in accordance with the Internal Revenue Code Sections 457 and 401(k) (the Plans). The Plans, administered by the Systems and available to all District employees, permits an employee to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency.

The employer contributions to the Plans for the years ended June 30, 2005 and 2004, respectively for the 457 plan were \$74,992 and \$88,042, and for the 401(k) plan the contributions were \$40,895 and \$41,810, respectively. The employee contributions to the Plans for the years ended June 30, 2005 and 2004, respectively for the 457 plan were \$85,715 and \$63,831, and for the 401(k) plan the contributions were \$29,549 and \$37,065, respectively.

The Plans are included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the Systems' report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

**Note 8 -
Commitments and
contingent
liabilities**

The District has an informal agreement with Metropolitan Water District of Salt Lake and Sandy (Metropolitan) to purchase, if available, surplus water. The District had water purchases of \$0 and \$68,855 for the years ended June 30, 2005 and 2004, respectively, under this agreement.

The District has an agreement (the Agreement) to purchase municipal and industrial water (Project Water) from Central Utah Water Conservancy District (CUWCD) developed under the Bonneville Unit of the Central Utah Project. Under the Agreement, the District will receive an average annual allotment of 50,000 acre-feet of Project Water, through eight individual block notices, at an estimated average price of \$146.00 per acre-foot, excluding various facility operating and maintenance costs, until the water allotted to the District by CUWCD is paid in full. This is expected to occur between the years 2037 and 2047, according to the individual block notices. The price of Project Water after the repayment period has not yet been estimated.

For the years ended June 30, 2005 and 2004, 33,713 and 46,856 acre-feet of Project Water was delivered to the District, respectively. Under a separate contract, the District has returned 5,800 acre-feet of Project Water to CUWCD each year for Provo River fishery flows to assist in meeting CUWCD's conservation goal under Section 207 of the Central Utah Completion Act. This has reduced the District's repayment obligation for Project Water proportional to the amount returned to CUWCD.

The District executed an agreement with the Welby Jacob Water Users Company (the Company) in 1988, and an amended agreement in 1991, to implement the Welby Jacob Exchange. Under the agreement, the District must provide 40,000 acre-feet of water, and pump the water to the Welby and Jacob canals. Under this amended agreement, the District provided to the Company 20,661 and 31,013 acre-feet during the years ended June 30, 2005 and 2004. Of these amounts, 14,161 and 31,013 acre-feet were pumped for the years ended June 30, 2005 and 2004, respectively. In return, the District received approximately 35,641 and 22,693 acre-feet for the years ended June 30, 2005 and 2004, respectively, of high quality Provo River water for use in its municipal system or used for irrigation.

The District and Metropolitan executed an operation and maintenance agreement with Central Utah Water Conservancy District (CUWCD) in 1993, which provides for CUWCD to convey title to the Jordan Valley Water Treatment Plant (JVWTP) and Terminal Reservoir without further consideration to the District and Metropolitan by special warranty deed upon Jordanelle Reservoir becoming operational (when the United States Bureau of Reclamations block notices total 50,000 acre-feet), or upon completion of the Terminal Reservoir expansion, whichever occurs later. Under the terms of the agreement, the District will own approximately 71.4% and Metropolitan will own 28.6% of the JVWTP and Terminal Reservoir. The conveyance of title to the JVWTP and Terminal Reservoir is expected to occur during the fiscal year 2006.

The agreement also provides for the operation and maintenance of the JVWTP and Terminal Reservoir by the District under the direction of the management committee, comprised of two members appointed by the District, two members appointed by Metropolitan, and one member appointed by CUWCD. Operation costs are apportioned on the basis of the acre-feet treated and stored for the District and for Metropolitan, and maintenance costs are apportioned 71.4% to the District and 28.6% to Metropolitan. Capital improvement costs will require approval of the District and Metropolitan, and if incurred, will be apportioned on the basis of benefits as determined by the management committee.

As of June 30, 2005, the District was involved in various lawsuits in the normal course of its operations. The District's management believes the outcome of these lawsuits will not have a material adverse effect on the District's financial statements.

Jordan Valley Water Conservancy District

Notes to financial statements (continued)

Note 9 - Major customers or suppliers and related parties

Significant transactions and balances with major customers or suppliers and related parties with common directors or officers not otherwise disclosed are as follows:

For the years ended June 30	2005	2004
Accounts receivable:		
Granger-Hunter Improvement District	\$ 753,387	\$ 1,896,712
City of West Jordan	661,045	622,063
City of South Jordan	403,747	410,001
Kearns Improvement District	264,733	307,755
Taylorsville-Bennion Improvement District	112,224	266,195
Draper City	108,369	109,226
Metered sales of water:		
Granger-Hunter Improvement District	5,538,548	5,917,926
City of West Jordan	4,219,236	4,847,575
City of South Jordan	2,882,759	2,957,232
Kearns Improvement District	2,274,374	2,345,943
Taylorsville-Bennion Improvement District	1,482,466	1,565,557
Draper City	728,580	787,787
Water Pro, Inc.	453,176	557,992
Metropolitan Water District of Salt Lake and Sandy	178,033	359,022
Water purchase, treatment, and delivery:		
Central Utah Water Conservancy District	6,579,512	6,492,330
Metropolitan Water District of Salt Lake and Sandy	-	68,855

Note 10 - Subsequent events

On July 27, 2005, the District issued its series 2005B bonds for \$10,130,000 and its series A-14 bonds for \$16,200,000. The series 2005B bonds mature in 2022, and bear fixed interest rates ranging from 3.25% to 5.00%. The series A-14 bonds mature in 2035, and bear variable weekly interest rates.

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2001 Series Revenue Refunding Bond

Year Ending June 30	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2006	\$ 50,000	\$ 804,839	\$ 854,839	\$ 15,945,000
2007	55,000	802,836	857,836	15,890,000
2008	55,000	800,670	855,670	15,835,000
2009	60,000	798,340	858,340	15,775,000
2010	60,000	795,610	855,610	15,715,000
2011	65,000	792,713	857,713	15,650,000
2012	65,000	789,690	854,690	15,585,000
2013	70,000	786,315	856,315	15,515,000
2014	865,000	761,859	1,626,859	14,650,000
2015	910,000	715,265	1,625,265	13,740,000
2016	955,000	666,309	1,621,309	12,785,000
2017	1,005,000	616,618	1,621,618	11,780,000
2018	1,060,000	565,760	1,625,760	10,720,000
2019	1,115,000	511,093	1,626,093	9,605,000
2020	1,175,000	452,698	1,627,698	8,430,000
2021	1,235,000	391,243	1,626,243	7,195,000
2022	1,300,000	327,250	1,627,250	5,895,000
2023	1,365,000	260,625	1,625,625	4,530,000
2024	1,435,000	190,625	1,625,625	3,095,000
2025	1,510,000	117,000	1,627,000	1,585,000
2026	1,585,000	39,625	1,624,625	-
	\$ 15,995,000	\$ 11,986,983	\$ 27,981,983	
Less: Deferred interest	(796,817)			
Total	\$ 15,198,183			

Jordan Valley Water Conservancy District
Schedule of Revenue Bond Debt Service Payments (continued)

2002 A-5 Series Revenue Bond

Year Ending June 30	Debt Service Payments			Balance at End of Year
	Principal	*Interest	Total	
2006	\$ -	\$ 528,950	\$ 528,950	\$ 14,900,000
2007	-	528,950	528,950	14,900,000
2008	-	528,950	528,950	14,900,000
2009	-	528,950	528,950	14,900,000
2010	-	528,950	528,950	14,900,000
2011	-	528,950	528,950	14,900,000
2012	-	528,950	528,950	14,900,000
2013	-	528,950	528,950	14,900,000
2014	-	528,950	528,950	14,900,000
2015	-	528,950	528,950	14,900,000
2016	-	528,950	528,950	14,900,000
2017	-	528,950	528,950	14,900,000
2018	1,100,000	502,917	1,602,917	13,800,000
2019	1,200,000	461,500	1,661,500	12,600,000
2020	1,200,000	418,900	1,618,900	11,400,000
2021	1,200,000	376,300	1,576,300	10,200,000
2022	1,300,000	331,333	1,631,333	8,900,000
2023	1,300,000	285,183	1,585,183	7,600,000
2024	1,400,000	236,667	1,636,667	6,200,000
2025	1,500,000	184,600	1,684,600	4,700,000
2026	1,500,000	131,350	1,631,350	3,200,000
2027	1,600,000	75,733	1,675,733	1,600,000
2028	1,600,000	18,933	1,618,933	-
Total	\$ 14,900,000	\$ 9,370,816	\$ 24,270,816	

* The A-5 series revenue bond has a variable interest rate. For purposes of this schedule an assumed rate of 3.55% per annum is used. Actual interest payments will vary from this schedule.

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2002C Series Revenue Bond

Year Ending June 30	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2006	\$ 395,000	\$ 896,831	\$ 1,291,831	\$ 17,905,000
2007	435,000	884,381	1,319,381	17,470,000
2008	445,000	868,956	1,313,956	17,025,000
2009	495,000	847,681	1,342,681	16,530,000
2010	485,000	823,181	1,308,181	16,045,000
2011	510,000	798,306	1,308,306	15,535,000
2012	540,000	772,056	1,312,056	14,995,000
2013	570,000	744,306	1,314,306	14,425,000
2014	605,000	714,175	1,319,175	13,820,000
2015	635,000	681,625	1,316,625	13,185,000
2016	670,000	647,369	1,317,369	12,515,000
2017	705,000	612,156	1,317,156	11,810,000
2018	740,000	576,031	1,316,031	11,070,000
2019	770,000	537,319	1,307,319	10,300,000
2020	820,000	497,806	1,317,806	9,480,000
2021	860,000	458,263	1,318,263	8,620,000
2022	900,000	416,081	1,316,081	7,720,000
2023	945,000	371,109	1,316,109	6,775,000
2024	990,000	323,944	1,313,944	5,785,000
2025	1,040,000	274,463	1,314,463	4,745,000
2026	1,095,000	220,369	1,315,369	3,650,000
2027	1,155,000	161,306	1,316,306	2,495,000
2028	1,215,000	99,094	1,314,094	1,280,000
2029	1,280,000	33,600	1,313,600	-
Total	\$ 18,300,000	\$ 13,260,408	\$ 31,560,408	

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2005A Series Revenue Refunding Bond

Year Ending June 30	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2006	\$ 1,150,000	\$ 1,274,346	\$ 2,424,346	\$ 25,930,000
2007	1,255,000	1,138,869	2,393,869	24,675,000
2008	1,295,000	1,097,431	2,392,431	23,380,000
2009	1,340,000	1,054,612	2,394,612	22,040,000
2010	1,385,000	1,010,331	2,395,331	20,655,000
2011	1,435,000	962,713	2,397,713	19,220,000
2012	1,490,000	907,800	2,397,800	17,730,000
2013	1,560,000	839,000	2,399,000	16,170,000
2014	1,645,000	758,875	2,403,875	14,525,000
2015	1,730,000	674,500	2,404,500	12,795,000
2016	1,810,000	586,000	2,396,000	10,985,000
2017	1,900,000	493,250	2,393,250	9,085,000
2018	2,000,000	395,750	2,395,750	7,085,000
2019	3,130,000	267,500	3,397,500	3,955,000
2020	715,000	171,375	886,375	3,240,000
2021	750,000	134,750	884,750	2,490,000
2022	790,000	96,250	886,250	1,700,000
2023	830,000	57,825	887,825	870,000
2024	870,000	19,575	889,575	-
Total	\$ 27,080,000	\$ 11,940,752	\$ 39,020,752	

Jordan Valley Water Conservancy District
Schedule of Requirements of the Water Conservancy Revenue Bond
Resolutions and U.S. Department of Commerce, Economic Development
Administration (EDA)

1. A Schedule of the Insurance Policies in Force at June 30, 2005 is at page 31.
2. An analysis of all funds established by the Resolution is at page 32.
3. "Net Revenues" for fiscal year 2005 exceed 1.0 times the "Aggregate Debt Service" for 2005 and "Net Revenues" and amounts maintained in the Revenue Fund for debt service for 2005 exceed 1.25 times the "Aggregate Debt Service" for 2005, as those terms are defined in the Resolution. The District met the minimum requirements as described on page 33.
4. An analysis of water billings and metered customers for the fiscal year ended June 30, 2005 is as follows:

	Retail	Wholesale	Total
Average number of metered customers	8,324	18	8,342
Amount billed for water and water service	\$ 3,605,181	\$ 19,559,722	\$ 23,164,903
Average amount billed per customer	\$ 433	\$ 1,086,651	
Average monthly amount billed per customer	\$ 36	\$ 90,554	

There were no unmetered water customers during 2005. The gross volume of water sold for the fiscal year ended June 30, 2005 was 69,516 acre-feet. In accordance with the Resolution, wholesale sales of water excludes \$178,033 of sales to Metropolitan Water District of Salt Lake and Sandy.

Jordan Valley Water Conservancy District
Schedule of Requirements of the Water Conservancy Revenue Bond
Resolutions and U.S. Department of Commerce, Economic Development
Administration (EDA) (continued)

5. The rate schedule at June 30, 2005 for water sold by the District was as follows:

Wholesale customers	\$226.50 to \$469.00 (winter rates) and \$283.13 to \$586.25 (summer rates) per acre-foot based on cost of service to customer plus a flat rate charge of \$10.00 per 1,000 gallons-per-minute of meter capacity per month.
Industrial customer	\$233.44 (winter rate) and \$287.28 (summer rate) per-acre foot based on cost of service to customer.
Retail customers	\$0.98 (winter rate) and \$1.23 (summer rate) per 1,000 gallons delivered plus a monthly meter base charge/flat fee based upon the size of the meter, ranging from \$2.50 to \$65.00.
Pumping surcharge	\$0.15 per 1,000 gallons is added to the retail rate in areas of the District where pumping is required to deliver the water.

6. The District's Board of Trustees is composed of the following as of August 31, 2005:

Dale F. Gardiner	Chairman
Steven L. Taggart	Vice-Chair
Royce A. Gibson	Trustee - Chair of Finance Committee
B. Jeff Rasmussen	Trustee - Chair of Conservation Committee
Thomas W. Forsgren	Trustee
Margaret K. Peterson	Trustee
Lyle C. Summers	Trustee
Gary C. Swensen	Trustee

Other District officers are as follows:

David G. Ovard	CEO, General Manager, Secretary, Treasurer
David D. Martin	Controller, Assistant Secretary
Neil B. Cox	Assistant Treasurer

Jordan Valley Water Conservancy District

Schedule of Insurance Policies in Force

Description	Coverage
Commercial General Liability: American Alternative Insurance Corporation (expires July 1, 2006)	\$1,000,000 each occurrence \$3,000,000 aggregate limit with \$100,000 self-insured retention
Public Officials and Employees Liability: American Alternative Insurance Corporation (expires July 1, 2006)	\$1,000,000 each wrongful act \$3,000,000 aggregate limit with \$100,000 self-insured retention
Business Auto Liability: American Alternative Insurance Corporation (expires July 1, 2006)	\$1,000,000 limit per accident with \$100,000 self-insured retention
Excess Liability: American Alternative Insurance Corporation (expires July 1, 2006)	\$10,000,000 each occurrence \$10,000,000 aggregate limit
Combined Property Coverage: Affiliated FM Insurance Company (expires July 1, 2006)	\$135,000,000 limit with \$25,000 deductible
Earthquake and Flood: Affiliated FM Insurance Company (expires July 1, 2006)	\$35,000,000 limit for earthquake and \$10,000,000 limit for flood with \$100,000 deductible
Boiler and Machinery: Affiliated FM Insurance Company (expires July 1, 2006)	\$40,000,000 limit with \$25,000 deductible
Workers Compensation Insurance: Workers Comp Fund of Utah (expires January 1, 2006)	\$500,000 each accident \$500,000 each employee \$500,000 policy limit
Public Treasurer Bond: Travelers (expires July 1, 2006)	\$1,100,000 bond amount
Public Entity Fidelity Bond: Travelers (expires May 1, 2006)	\$1,000,000 limit with \$10,000 deductible
District Self Insurance Fund:	\$ 2,141,854

Jordan Valley Water Conservancy District

Schedule of Changes in Funds Established by the Water Conservancy Revenue Bond Resolutions (Cash Basis)

	Operations & Maintenance Fund	Revenue Fund	Capital Projects Fund (*)	Renewal and Replacement Fund	* Principal and Interest Fund (**)				Total
					1992 Reserve	1993 Reserve	1998 Reserve	2005A Reserve	
Balance June 30, 2004:									
Cash and Investments	\$ 6,038,581	\$ 4,912,731	\$ -	\$ 120,563	\$ 2,373,338	\$ 1,461,792	\$ 1,053,041	\$ -	\$ 15,980,046
Additions:									
Reimbursements									
Investment income	135,518	-	4,023,326	-	-	-	-	-	4,023,326
Receipt of property tax revenue	8,424,085	184,464	5,254	2,830	163,531	79,551	53,626	5,028	629,802
Revenue received from water sale	-	-	-	-	-	-	-	-	8,424,085
Other sources	-	25,250,105	-	-	-	-	-	-	25,250,105
Transfers from:		692,150	-	-	-	-	-	-	692,150
Bond project fund	-	-	17,962,196	-	-	-	-	-	17,962,196
Capital project fund	2,996,718	-	-	-	-	-	-	-	2,996,718
Revenue fund	11,500,000	-	4,491,805	-	-	-	-	-	15,991,805
O&M Fund	-	-	-	-	-	-	-	-	-
Reserve account	-	163,531	-	-	-	-	-	-	-
Total additions	23,056,321	26,290,250	26,482,581	2,830	163,531	79,551	53,626	2,180,906	2,344,437
Deductions:									
Construction expenditures	-	-	19,819,009	-	-	-	-	-	19,819,009
Transfers to:									
Operations and maintenance fund	-	11,500,000	2,996,718	-	-	-	-	-	14,496,718
Debt service reserve	-	-	-	-	-	1,094,430	1,086,476	-	2,180,906
Capital project funds	-	4,491,805	-	-	-	-	-	-	4,491,805
Other capital funds	-	995,774	-	-	-	-	-	-	995,774
Self Insurance Fund	-	482,030	-	-	-	-	-	-	482,030
Revenue fund	-	-	-	-	163,531	-	-	-	163,531
Debt service	142,307	7,212,680	-	-	-	446,913	20,191	-	7,822,091
Operations and maintenance expenditures	21,511,498	-	-	-	-	-	-	-	21,511,498
Other expenditures	-	82,310	-	-	-	-	-	-	82,310
Total deductions	21,653,805	24,764,599	22,815,727	-	163,531	1,541,343	1,106,667	-	72,045,672
Balance June 30, 2005									
Cash and Investments	\$ 7,441,097	\$ 6,438,382	\$ 3,666,854	\$ 123,393	\$ 2,373,338	\$ -	\$ -	\$ 2,185,934	\$ 22,228,998

(*) The Capital Projects Fund was not required by bond resolutions, but was established by Board resolution.

(**) The investments are carried at amortized cost in accordance with the Board resolution. Fair value of investments held in the Principal and Interest Fund at June 30, 2005 are as follows: 1992 reserve of \$2,353,642, and the 2005A reserve of \$2,168,504.

Jordan Valley Water Conservancy District

Schedule of Net Revenues and Aggregate Debt Service

For the year ended June 30	2005		2004	
Net revenues:				
Total operating revenues	\$	23,539,333	\$	25,126,680
Other revenues		10,754,684		9,824,604
		34,294,017		34,951,284
Less: operating expenses (excluding depreciation and amortization)		21,440,592		21,432,891
Net revenues	\$	12,853,425	\$	13,518,393
Aggregate debt service:				
Interest	\$	4,755,773	\$	4,670,968
Principal		3,329,067		3,372,447
Aggregate debt service	\$	8,084,840	\$	8,043,415
Net revenues divided by aggregate debt service		1.59		1.68
Minimum requirement		1.0		1.0
Net revenue	\$	12,853,425	\$	13,518,393
Amount maintained in revenue fund for debt service		1,956,490		1,956,490
Net revenue and amounts maintained for debt service	\$	14,809,915	\$	15,474,883
Aggregate debt service	\$	8,084,840	\$	8,043,415
Net revenues and amounts maintained for debt service divided by aggregate debt service		1.83		1.92
Minimum requirement		1.25		1.25

These debt-service requirements are defined in the bond covenants



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 Fax (801) 972-8941

**REPORT ON LEGAL COMPLIANCE APPLICABLE TO UTAH STATE LAWS
AND REGULATIONS**

**Board of Trustees
Jordan Valley Water Conservancy District**

We have audited the financial statements of **Jordan Valley Water Conservancy District** (the District) for the year ended June 30, 2005 and have issued our report thereon dated September 30, 2005. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Other General Compliance Issues
- Special Districts

The District did not receive any major or non-major State grants for the year ended June 30, 2005.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the general requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

Haynie & Co.

Salt Lake City, Utah
September 30, 2005

Jordan Valley Water Conservancy District
Schedule of Findings - Compliance - State of Utah

For the year ended June 30

2005

CURRENT YEAR FINDINGS

No current year findings

PRIOR YEAR FINDINGS

No prior year findings

SINGLE AUDIT SECTION



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 Fax (801) 972-8941

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees

Jordan Valley Water Conservancy District

We have audited the basic financial statements of **Jordan Valley Water Conservancy District** (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Haynie & Co.

Salt Lake City, Utah
September 30, 2005



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 Fax (801) 972-8941

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees

Jordan Valley Water Conservancy District

Compliance

We have audited the compliance of **Jordan Valley Water Conservancy District** (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.


In our opinion, the District complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management, the Utah State Auditor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Salt Lake City, Utah
September 30, 2005

Jordan Valley Water Conservancy District

Schedule of Findings and Questioned Costs

For the year ended June 30

2005

I. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of Jordan Valley Water Conservancy District.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Jordan Valley Water Conservancy District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs:
5. The auditors' report on compliance for the major federal award programs for Jordan Valley Water Conservancy District expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The program tested as a major program was the Homeland Security Grant - CFDA #16.007.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Jordan Valley Water Conservancy District was determined to be a low-risk auditee.

II. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

III. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

None

Jordan Valley Water Conservancy District

Schedule of Expenditures of Federal Awards

For the year ended June 30

2005

<u>Grant Name</u>	<u>Federal CFDA Number</u>	<u>Federal Award Contract No.</u>	<u>Expenditures</u>
U.S. Department of Justice			
Passed Through Central Utah Water Conservancy District:			
Water Conservation Programs (CUPCA 207)	N/A		\$ 200,000
Subtotal			<u>200,000</u>
Passed Through State:			
*Homeland Security Grant	16.007	DES-2003-CIP-007	422,929
Subtotal			<u>422,929</u>
Total Federal Expenditures			<u>\$ 622,929</u>

* Major Program

Jordan Valley Water Conservancy District
Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30

2005

1. SIGNIFICANT ACCOUNTING POLICIES

General - The *Schedule of Expenditures of Federal Awards* presents the activity of all federal awards of Jordan Valley Water Conservancy District. Federal awards received directly from federal agencies as well as federal awards passed-through other governmental agencies are included on the *Schedule of Expenditures of Federal Awards*.

Basis of Accounting - The *Schedule of Expenditures of Federal Awards* is presented using the modified accrual basis of accounting.